

BOARD OF TRADE

COMPANIES ACT, 1948

Investigation into the Affairs of F.M.S. Rubber Planters Estates Limited

REPORT BY

MR. RALPH VINCENT CUSACK, Q.C.

AND

MR. EDWARD RUPERT NICHOLSON, F.C.A.

*(Inspectors appointed by the Board of Trade
in accordance with the provisions of
Section 165 (b) of the Companies Act, 1948)*

LONDON: HER MAJESTY'S STATIONERY OFFICE

1964

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PART I

Appointment

1. We were appointed Inspectors to investigate the affairs of F.M.S. Rubber Planters Estates Limited on the 19th January, 1962 in the following terms:

"The Board of Trade in pursuance of the powers conferred on them by Section 165(b) of the Companies Act, 1948, hereby appoint Mr. Ralph Vincent Casack, Q.C. of 1 King's Bench Walk, London, E.C.4. and Mr. Edward Rupert Nicholson, Chartered Accountant, of 11 Ironmonger Lane, London, E.C.2. to act as inspectors to investigate the affairs of the above named company and to report thereon in such manner as the Board may direct."

PART II

General Introduction

2. In the course of the present report when we first refer to a company, business or similar entity, we set out its full name followed in brackets by the abbreviated term by which we refer to it on subsequent occasions.
3. F.M.S. Rubber Planters Estates Limited ("F.M.S.") formerly owned and operated two rubber estates in Malaya. The effective part of our investigation into the company's affairs covers the period since 2nd April, 1958 when Mr. Valentine Firmin Fairbank acquired a controlling interest in the company and this Report is based on information available to us up to 30th June, 1963.
4. At the same time as we were appointed to investigate the affairs of F.M.S. we were appointed also to investigate the affairs of another company, Johore Para Rubber Company Limited ("Johore"). We had previously been appointed to investigate the affairs of a third company, the Majestic Insurance Company Limited ("Majestic"). We submit separate reports on all three companies, but the companies have certain noteworthy features in common. These are principally that Mr. Fairbank and Mr. William Lowenthal were directors of each company, that between them they directly or indirectly held a controlling interest in each company and that each company lodged funds with a firm of bankers, Richardson & Company ("Richardsons"), in which Mr. Fairbank and Mr. Lowenthal were at all material times the sole partners. Our detailed observations on Richardsons are included in our report on Majestic and we confine our references to Richardsons in this report to matters bearing directly on F.M.S.

PART III

Scope of our enquiry into F.M.S.

5. We have considered the material brought to our attention by the Board of Trade. We have examined orally the leading persons in this country concerned with the company and we have investigated the company's books and records. We have not been able to establish contact with Mr. F. A. Charlton-Thomas, a director of the company until 1959, whom we believe to be resident abroad.

6. We have been particularly concerned with a series of transactions which seemed to us open to question. These were:

- (a) The transactions between April and August 1958 by means of which Mr. Fairbank acquired control of F.M.S. which was by then a "shell company" and Richardsons received so much of the company's liquid funds as was not used to pay the purchase price.
- (b) The transactions in December 1959 by means of which the balance nominally owing by Richardsons as a result of the transactions mentioned at (a) above, was invested in buying from Mr. Lowenthal certain South African investments which now appear to be valueless.

7. In considering these South African investments we have not been able to make any independent investigation into property values or prospects in that country or to verify the value which Mr. Lowenthal (with the concurrence of Mr. Fairbank) claims for the investments. In our opinion these matters could only be fully investigated, if at all, if direct investigations were made in South Africa. This is quite beyond the scope of our present enquiry.

8. The scope of our enquiries has also been limited to some extent because there were details upon which information which we sought from witnesses was not forthcoming. Although in certain cases we felt that the witnesses could have supplied the information, we have not delayed our report on this account as the broad picture of the situation is clear even in the absence of such details.

PART IV

Early History

9. F.M.S. was incorporated as a limited liability company on 29th January, 1913.

10. Of the two rubber estates in Malaya owned and operated by the company one was sold under the terms of an agreement made on 31st December, 1956 and the other under the terms of an agreement dated 11th February, 1958. It appears that completion of the first sale took place on 20th March, 1958 and of the second on 6th August, 1958. Both sales were for cash.

11. Towards the end of 1957 a successful bid for the Stock of F.M.S. had been made by Lavy Ascher & Company through Federated Securities Limited on behalf of a Malayan Syndicate headed by Mr. Charlton-Thomas. Mr. Charlton-Thomas became a director of F.M.S. on 31st October, 1957. Mr. L. Lavy of Lavy Ascher & Company also became a director at that time. He signed Transfer documents in connection with the sale of the first rubber estate and also the sale agreement relating to the second rubber estate but he resigned his directorship on 3rd April, 1958 immediately after the controlling interest in the company had passed to Mr. Fairbank. We have not thought it necessary at this stage to enquire into these transactions.

12. At the end of 1957 F.M.S. acquired a large block of shares in Ledang Bahru Rubber Estates Limited ("Ledang"). This acquisition was made through Federated Securities Limited at the instance of Mr. Charlton-Thomas who had an interest in Ledang. He had declared his interest in Ledang to F.M.S.

PART V

Share Capital

13. The authorised capital of the company is £300,000 and of this sum £245,000 has been issued and converted into stock.
14. At the end of 1957 the beneficial interest in £183,000, some 75% of the stock in issue, was vested in the syndicate to which we have already referred headed by Mr. Charlton-Thomas. This stock stood in the name of the Midland Bank (Overseas) Nominees Ltd.
15. Mr. Charlton-Thomas negotiated the sale of this £183,000 stock to Mr. V. F. Fairbank for £413,750 under the terms of two agreements dated 2nd April, 1958. These documents are reproduced at Appendix C, together with a letter expressing the intentions of the parties. The stock, in fact, remained registered in the name of the Midland Bank (Overseas) Nominees Ltd.
16. A little further stock was purchased on the Stock Exchange by Mr. Fairbank, and some £20,000 stock appears to have been sold to sundry stockholders between June 1958 and December 1959 inclusive.
17. On 19th April, 1959 the London Stock Exchange quotation was withdrawn.
18. Mr. Fairbank has told us that he transferred his interest in F.M.S. to Mr. Lowenthal upon terms that Mr. Lowenthal took over responsibility for the overdraft granted to him by Richardsons to cover the initial purchase from Mr. Charlton-Thomas's syndicate. The date of this transfer appears to have been before October 1959.
19. Subsequently Mr. Lowenthal entered into an agreement with a South African company, Alpha Union & Overseas Finance Corporation Ltd. ("Alpha"), whereby £172,000 stock in F.M.S. was to be sold to Alpha. In the event Alpha did not receive £172,000 stock and we have not succeeded in obtaining from Mr. Lowenthal either precise details of the eventual transaction or a statement of the beneficial stockholdings in F.M.S. although he did tell us in general terms that the agreement with Alpha was only partially implemented. Indeed, the auditors have told us that they too were unable to reconcile the information in their hands relating to stockholders with the stock registers.
20. A substantial part of the issued capital, namely £112,540 stock, is now registered in the name of a Mr. Halsall. Mr. Lowenthal claimed when we questioned him that Mr. Halsall holds this stock as nominee for Richardsons.

PART VI

Transactions connected with Share Capital Movements

21. We deal in Part V of this report with the movements of F.M.S. issued capital and in Part X with the transfer of stock to Alpha but it is necessary to consider at this stage the means whereby the controlling interest in F.M.S. was acquired by Mr. Fairbank.
22. By two agreements dated 2nd April, 1958 between Mr. Charlton-Thomas and Mr. Fairbank (Appendix C), the interest of the Syndicate in £183,000 stock (approximately 75% of the issued stock) was acquired by Mr. Fairbank for a consideration of £413,750 (of which we can trace payment of only £412,000) upon terms that he would pay cash but that Mr. Charlton-Thomas would deposit the money with Richardsons.

23. Mr. Fairbank states that Richardsons gave him an overdraft to enable him to draw a cheque on Richardsons to pay for the stock and Mr. Charlton-Thomas having received the cheque, immediately deposited it in Richardsons.

24. Between 2nd April, 1958 and 7th August, 1958, F.M.S. accounts in Richardsons were credited as follows:

	£
April 1958 From Mr. Charlton-Thomas re Sale of Ledang shares	64,400
August 1958 From Mr. Charlton-Thomas re Sale of Jemima Estate	352,875
	<hr/>
	417,275
Between those dates—Cash, Treasury Bills and Savings Bonds	169,890
	<hr/>
	£527,165

Of this sum, 75% would amount to £395,374 which compares with the price of £412,000, so that some £16,000 was paid for control.

25. Although we have not seen Mr. Charlton-Thomas's account with Richardsons, it appears beyond doubt, and is not denied, that the £412,000 deposited in his account was wiped out by the above entries in favour of F.M.S. of £417,275 and further that Mr. Charlton-Thomas never actually received the £412,000 from Mr. Fairbank or Richardsons. Rather, he seems to have collected and retained the sale proceeds of £417,275. Owing to this and to small drawings, possibly for expenses, he was at 30th November 1961, and perhaps still is, overdrawn at Richardsons by £8,092. Whether this sum really counts as an asset of Richardsons is doubtful. We have not been able to verify the amount of the sale proceeds which as above indicated by-passed F.M.S. and Richardsons. An unexplained circumstance was that the cheque for £352,875 was drawn by Mr. Charlton-Thomas in April, 1958 (see Appendix C(c)) and not "banked" by F.M.S. until August 1958. Possibly it awaited the completion of the sale of the Jemima Estate. The part played by Mr. Charlton-Thomas in all this is not clear. In his absence we have not been able to investigate it fully or to look into the earlier transactions whereby he acquired control of and sold the estates. These matters may not now be of great significance, because whatever else may be obscure, we are quite satisfied that Mr. Fairbank, through his control of Richardsons, purchased the controlling stockholding in F.M.S. by using the funds of F.M.S. This situation should be considered in the light of Section 54 of the Companies Act 1948.

26. It seems to us clear that Richardsons received liquid funds of about £110,000 on behalf of F.M.S. and for the rest the sale of F.M.S. stock to Mr. Fairbank was in effect a book entry debiting Mr. Fairbank and crediting F.M.S. with some £417,000. As between the immediate parties the particular figure need not have had any significance; it conferred nothing, the money having gone in a circle. When the point was put to Mr. Fairbank, he hotly resented it. Put another way, Mr. Fairbank bought 75% of the stock, paying for it with the underlying assets which he obtained, the net benefit received into Richardsons being in broad terms the other 25% of the underlying assets, in the form of the £110,000 in Treasury Bills, etc. The funds are clearly no longer available to the Bank. We have not obtained any evidence to lead to any conclusion as to whether the procedures adopted in relation to sale of this stock were designed to alienate the assets underlying the minority stock.

27. Before leaving this aspect of F.M.S., it is, we feel, worth drawing attention to the fact that Richardsons were left with a large debt, far in excess of its resources, in favour of F.M.S. This must have constituted a continuing embarrassment for the directors of F.M.S. and may, under the guidance of Mr. Lowenthal and Mr. Fairbank, have led to the South African enterprises with which we deal in Part X of this report.

PART VII

Directors and Secretaries

Directors

28. The register of directors has not been fully maintained but it appears that Mr. Fairbank was appointed a director on 3rd April, 1958 and that Mr. Lowenthal was appointed a director on 3rd October, 1960. Mr. Fairbank is the present chairman. He was elected chairman on 16th October, 1958 in succession to Mr. C. Shawcross who resigned his directorship with effect from that date. Mr. C. Gardiner was a director of F.M.S. between 17th October, 1958 and 4th December, 1959. Lord Dunsany was a director of F.M.S. between 17th October, 1958 and 14th July, 1961. Both Mr. Gardiner and Lord Dunsany visited South Africa on the Company's business and subsequently made reports to which we shall refer later. Mr. Shawcross made a passing visit but wrote no report. Mr. F. A. Charlton-Thomas appears to have been a director of F.M.S. between 31st October, 1957 and 31st December, 1959. Mr. T. Hoffman, a chartered accountant, was a director from 3rd April, 1958 until 20th October, 1960. On 20th May, 1963 a Winding-up Order was made by the High Court against the Company and a liquidator was appointed.

Secretary and Registered Office

29. The office of secretary of the company was held by Mr. S. A. Mann between the 10th December, 1957 and the 14th December, 1960. The Secretary of the Company from 14th December, 1960 until 31st May, 1962 was Mr. A. T. Barnes. On 15th June, 1962 Mr. E. A. Benyon was appointed Secretary. The Company's registered office was at Finsbury Court, Finsbury Pavement, London, E.C.2. but the minute book shows that of recent years most Board meetings took place at 56 South Molton Street, London, W.1. These were the premises of Majestic and also of Richardsons.

PART VIII

Accounts

30. The most recent accounts for F.M.S. which are available are those for the year ended 31st December, 1959. These have been audited by Messrs. Woolger Hennell, Scott-Mitchell & Co., Chartered Accountants of 165 Moorgate, London, E.C.2. who have acted as the company's auditors for many years. These 1959 accounts are reproduced at Appendix B together with the accounts for 1957 and 1958. Our observations on these accounts are given below.

1957 Accounts

31. The accounts for the year ended 31st December, 1957 showed Fixed Assets in Jemima Estate and substantial assets in the form of investments and treasury bills. The auditors did not qualify their report on these accounts and Mr. Brackenridge of Woolger Hennell, Scott-Mitchell & Co. has told us that although they had their suspicions before signing the accounts in 1958, they did not feel that they had anything sufficiently tangible to justify qualification of their report. Any misgivings on their part could, however, have related only to information given in the Chairman's Review as the accounts themselves do not appear to call for any Auditors' qualification.

1958 Accounts

32. For the year ended 31st December, 1958, the accounts indicate that the Estate had been realised at a profit but the investments and treasury bills had been realised at a loss and the proceeds paid into Richardsons. There are considerable notes on the accounts and also a letter from the chairman to stockholders (which is also given at Appendix B). The directors' report disclosed that one of the directors namely Mr. Fairbank was a partner in Richardsons with whom F.M.S. had substantial funds lodged. Mr. Brackenridge informed us that he had refused to sign the auditors' report unless this information was given to the stockholders. The passage in the Directors' report goes on to say that "sums in excess of £500,000 have since been utilised for property acquisitions" although, as we indicate later, this was a tendentious statement, it shows how any suspicion was allayed at the time.

33. In his evidence Mr. Brackenridge has told us that in the course of the 1958 audit, he was not entirely satisfied regarding the standing of Richardsons and that he had heard disquietening reports about them as bankers. He had also learned from enquiries which he had made that they had had difficulty in meeting obligations and were involved in the Mias case a report of which appeared in *The Financial Times* of 10th March, 1960 quoting evidence that because "Mr. Lowenthal . . . was using Mias money for his own business purposes", "Richardson's Bank had not got enough money to meet Mias cheques" and "were returning cheques" "although the Mias Account was in credit enough to meet them". Mr. Brackenridge told us he felt that in depositing the company's funds with Richardsons, the directors had virtually placed these at the disposal of the Chairman, and that this might amount to a breach of Section 190 of the Companies Act, 1948. He stated that they had considered this matter very carefully. Counsel's opinion was obtained on the point and the company was advised that the deposit was not a loan within the terms of the Act. The auditors also sought a certificate from all the directors of F.M.S. that they were satisfied that Richardsons could meet its obligations to F.M.S. Mr. Brackenridge has told us that the prime purpose of this request was to ensure that all the directors were aware of the position and of the auditors' uneasiness. In order to allay their doubts the auditors requested sight of a balance sheet of Richardsons but this was never produced to them. We have formed the opinion that whilst the auditors were uneasy regarding the deposit of funds with Richardsons, any qualification of their report on this point would have needed to have been founded on facts within their knowledge. In the absence of more positive information all they could do was to use their right to withhold signature to ensure insofar as they could that all relevant facts were disclosed. In our opinion the auditors did everything they could in the circumstances.

1959 Accounts

34. The Accounts for the year ended 31st December, 1959 were only finalised after a delay caused by the requirements of the auditors. These accounts indicated that F.M.S.'s main assets consisted of investments in subsidiary companies shown at a figure of £530,233 "at cost". Mr. Fairbank's review as chairman (which is given at Appendix B) indicates that these are shares in Uitzigt Properties (PTY) Ltd. ("Uitzigt") and Walker Bay Investment Co. (PTY) Ltd. ("Walker Bay") and that F.M.S. had acquired 80% of the capital in Uitzigt and 100% of the capital in Walker Bay. These are property owning and development companies. The review gives a most favourable picture of the prospects of these two investments and a proposed property share investment in Canada but makes no reference to the cost of developing the land which the companies own. We invite attention to the qualifications in the auditors' report on the 1959 accounts which refers expressly to lack of information regarding the agreement with Mr. Lowenthal whereby F.M.S. acquired the Uitzigt and Walker Bay shares. The "Notes on Accounts" also refer to a further agreement with Mr. Lowenthal regarding certain Canadian shares. As far as we are aware this has not proceeded. The 1959 accounts also indicate that £17,770 should still at that date have been in Richardsons. Appendix A shows that as at 30th November, 1961, F.M.S. still had a credit of £10,595 at Richardsons.

PART IX

Investments

(a) Shares in Ledang Bahru Rubber Estates Ltd.

35. As stated earlier in this report these shares were acquired at the instance of Mr. Charlton-Thomas (a director of F.M.S.). Disposal of this holding was arranged by Mr. Charlton-Thomas in 1958 a few months later at a loss to the company of £27,713, the proceeds of £64,400 being credited to the company's account with Richardsons, but as already noted, Mr. Charlton-Thomas evidently kept the money against what was owing to him.

(b) Savings Bonds

36. At 31st December, 1957 the company held £25,000 2½% Savings Bonds 1964/67. These bonds were sold in May 1958 at a loss of £4,811 and the proceeds banked with Richardsons.

(c) Treasury Bills, etc.

37. Funds amounting to £84,488 were lodged with Richardsons in April 1958. These funds represented substantially (i) the cash at bank and on deposit with a Building Society at 31st December 1957 amounting to £43,596; (ii) £20,000 relating to the sale of an estate in Malaya, and (iii) the proceeds of £20,000 of the Treasury Bills held at 31st December, 1957.

(d) Trade Investments

38. These stood in the balance sheet at 31st December, 1957 at £9,617 representing 58,041 shares in Guthrie Latex Limited, 5,950 \$1 shares in The Whittington Hill Bungalow Association and 123 £1 shares in Malgro House Limited. The shares in Guthrie Latex Limited were subsequently acquired by the purchasers of the company's estate for £9,617.

PART X

Acquisition of Subsidiaries

39. Subsequent to his acquisition of the controlling interest in F.M.S., Mr. Lowenthal on 4th December, 1959 entered into an agreement with F.M.S. to sell to F.M.S. for £387,000, 40,000 of the 50,000 shares in Uitziqt in issue, and for £142,078 18s. 6d. all the 6,500 shares in Walker Bay in issue. The agreement contained warranties as to the status and position of Uitziqt and Walker Bay. In pursuance of the agreement F.M.S. gave Mr. Lowenthal two cheques drawn on Richardsons amounting in total to £529,078 18s. 6d. dated respectively 4th December, 1959 and 11th December, 1959, and signed by Mr. Hoffman on behalf of the board. The warranties above mentioned included:

- (a) that Uitziqt and Walker Bay were owners in fee simple of unencumbered land known as Vaal Park Township (1270 plots) and Fisberhaven Township (519 plots) respectively;
- (b) that the Companies had not other liabilities other than those shown in their audited balance sheets (Uitziqt 30th September, 1959 and Walker Bay 31st October, 1959).

The Balance Sheets mentioned are given at Appendix E and attention is drawn to the following points:

- (i) The Township assets appear as current assets in both Balance Sheets and there are related liabilities and provisions which may be summarised as follows:

	<i>Uitziqt</i>			<i>Walker Bay</i>		
	£	s.	d.	£	s.	d.
Township Land						
at cost less Sales				10,948	15	0
at Cost including Provision for Water and Roads less Sales ..	160,285	0	0			
Deed of Sale Debtors	90,714	5	3	50,768	18	6
	<u>£250,999</u>	<u>5</u>	<u>3</u>	<u>£61,717</u>	<u>13</u>	<u>6</u>
Long Term Liabilities (Secured)	41,812	18	10	—		
Provisions						
Against Deed of Sale Debtors	—			20,668	8	1
Endowment Fund	29,008	10	0	7,220	18	6
Retooling of Water and Roads	199,037	10	0	—		
Secured Creditor (disputed)	1,404	18	6	—		
	<u>£271,263</u>	<u>17</u>	<u>4</u>	<u>£27,889</u>	<u>6</u>	<u>7</u>
Other Liabilities	<u>£12,348</u>	<u>2</u>	<u>1</u>	<u>£10,792</u>	<u>15</u>	<u>10</u>
	<i>3 months</i>			<i>4 months</i>		
	£	s.	d.	£	s.	d.
Total Sales during preceding period	500	0	0	Nil		
Gross Profit	105	10	0	Nil		
Interest on Deed of Sale Debtors and other related income ..	1,442	6	6	873	7	7
Expenses	2,547	3	9	1,452	10	9

The comparative figures show practically no movement during the period covered by the Accounts except for the payment of some of the Deed of Sale debts.

- (ii) The liabilities of Uitziqt exceed its assets apart from the debt owing by Alpha which is presumably of doubtful value. A note mentions an (unreserved) maximum loss of £10,199 13s. 11d. on Deed of Sale Debtors. The Company having already made substantial sales as shown by its debtors, is for practical purposes insolvent, according to its own Balance Sheet. Indeed any ordinary reading of this Balance Sheet suggests that the Company is short of capital to carry out the necessary development for some of which it has been paid and without a large infusion of new capital it could not exploit any inherent value in its Land.
- (iii) Walker Bay although less circumscribed by secured liabilities and provisions, seems also to have come to a halt and to be having difficulty in collecting the debts for the sales made in previous periods. Note (I) refers to a contingent liability in respect of capital expenditure necessary for future Township Development estimated at £50,000.
- (iv) In passing, it may be observed that the debt of £46,263 4s. 10d. owing by Alpha to Uitziqt arises from the sale of £23,372 stock in F.M.S. on 30th, September, 1959, a further £8,558 stock having been sold for £17,117 8s. on 30th April, 1959, to Subsidiary Companies of Alpha—see letter to Auditors 15th June, 1961 Appendix H. If this is added to the £172,000 stock Mr. Lowenthal agreed to sell to Alpha the total far exceeds Mr. Lowenthal's known holding of £183,000 stock.

- (v) In brief, the Balance Sheets of these two companies showed a poor state of affairs and indeed would suggest to the expert reader that development of these estates had so far had little success and that shortage of capital was impeding further development.

40. The next relevant documents are two transfers. The first indicates that on 19th February, 1960 Alpha transferred to Mr. Lowenthal 40,000 shares in Uitzigt in exchange for £172,000 stock in F.M.S. which he had, at least in part, acquired from Mr. Fairbank. Mr. Lowenthal has told us that this transfer gave effect to an earlier arrangement with Alpha for him to acquire these shares and he subsequently informed us that the date of this arrangement was 1st October, 1959. The second transfer indicates that on 19th February, 1960 Mr. Lowenthal transferred to F.M.S. these 40,000 shares in Uitzigt presumably in pursuance of the agreement entered into the previous December to which we referred at the beginning of paragraph 39.

41. By this process it would appear that Alpha should have acquired £172,000 stock in F.M.S. and F.M.S. should have acquired 40,000 shares in Uitzigt. It seems however from Mr. Lowenthal's evidence that Alpha did not get all of the £172,000 stock in F.M.S. Indeed we have not been able to satisfy ourselves that at this time Messrs. Lowenthal and Fairbank possessed £172,000 stock in F.M.S. either personally or through Richardsons. It is not at all clear by what means a settlement was achieved. When pressed, Mr. Lowenthal lapsed into obscurity. It does, however, seem reasonably clear that Mr. Lowenthal received over £529,000 of "cash" supposedly reposing at Richardsons and that F.M.S. got in exchange shares in Uitzigt and Walker Bay. Mr. Lowenthal says he already owned the latter.

42. It will be appreciated that the £529,000 payment was a mere transfer within the bank but it has the effect of putting Mr. Lowenthal substantially in credit (or eliminating his overdraft obtained to acquire the F.M.S. stock) and eliminating at the same time F.M.S.'s favourable balance at Richardsons.

43. As already stated the 80% interest in Uitzigt was acquired from Alpha which had previously owned all Uitzigt's shares. Alpha in turn was a subsidiary of Vaal Park Township Land & Mineral Co. Ltd. ("Vaal Park") another South African Company controlled at that time by Mr. Lowenthal (subject to a transaction with Mias at about this time which we think is not relevant in this matter). Mr. Lowenthal was a director of both Alpha and Vaal Park. We have seen a photostat copy of the signed accounts and consolidated accounts of Alpha for the year ended 30th June, 1960 with comparative figures for 1959. Mr. Lowenthal has produced to us a carbon copy signed only by the auditors of the accounts and consolidated accounts of Vaal Park for the year ended 30th June, 1960, also with comparative figures for 1959.

The Accounts of Alpha show that at 30th June, 1959 the entire share capital of Uitzigt stood in the books of Alpha at £47,873 and that this sum represented the cost to the company of these shares. Figures relative to the disposal of four-fifths of the holding of Uitzigt shares during the year ended 30th June, 1960 are not clearly identifiable in the Alpha accounts. Uitzigt as a subsidiary has disappeared at the 30th June, 1960 and there appears under Investments at cost unquoted shares in a local company of £9,575, exactly one-fifth of the book value of the Uitzigt shares held at 30th June, 1959. The number of shares is not stated. Profit on sale of Investments, presumably including the Uitzigt holding, is shown in the Profit and Loss Account for the year ended 30th June, 1960 at £41,927. There also appears among the Investments in Unquoted Shares held at 30th June, 1960 an unspecified number of shares in an "Overseas Company" at a cost of £98,977. A note indicates that these shares are held in London. Presumably this represents such F.M.S. stock as Alpha actually held. So far as we know Alpha's holding in F.M.S. at 30th June, 1960 consisted of the stock acquired in substitution for the four-fifths of the Uitzigt share capital above mentioned, which would presumably be given the book value of £38,298 (i.e. four-fifths of £47,873), together with a pre-existing holding of £23,372 stock which cost £52,587 on purchase from Uitzigt. The aggregate of these two holdings would amount

to £90,885 out of a total of £98,977 above mentioned. We are unable to explain the difference which may be due to a write-up in the course of the transaction.

44. The consolidated balance sheet of Vaal Park at the same date which would include Alpha also refers to an unspecified "investment in overseas company" but in this case the book value is £136,094. Presumably other subsidiary companies of Vaal Park had holdings in F.M.S. but we have no information to confirm this. The consolidated Profit and Loss Account includes the following item "Profit on sale of investments and apparent profit on exchange of Shares £61,967." This evidently indicates the maximum write-up within the Vaal Park Group. This Balance Sheet is shown at Appendix "G." It is also of interest in connection with the value of the investment held by Richardsons in Vaal Park which was stated by Mr. Lowenthal to be 2,000,000 shares. After bringing in this profit the net assets of the whole Group come out at £176,118.

45. We are unable to explain the book values attributed to the shares in the "Overseas Company" in both the preceding paragraphs, but there appears no doubt that the effect of the transactions in Uitziqt shares dealt with above was that the book value of these shares was written up in the course of transfer from Alpha via Mr. Lowenthal to F.M.S. by some £348,000 and that most of this "inflation" is attributable to Mr. Lowenthal's ownership. It was pointed out to us by Mr. Fairbank that Mr. Lowenthal was not a director of F.M.S. at that time, and was accordingly under no obligation to disclose his interest; it may be significant that this aspect was in Mr. Fairbank's mind when we examined him.

46. As to the value of the South African acquisitions we are not satisfied despite assurances from Mr. Lowenthal and Mr. Fairbank that any reliable valuation has ever been made. Various opinions as to different parcels are expressed by Estate Agents and others and there have also been reports by Mr. Gardiner, Lord Dunsany and Mr. Lowenthal but we have been unable to trace anything resembling a valuation at or about the time F.M.S. acquired its interest in the South African Companies under the agreement with Mr. Lowenthal in December, 1959. The opinions and reports referred to above are reproduced in Appendix D.

47. We have noted that Mr. Gardiner's report in 1959 (Appendix D(2)) refers to totals contained in the summary in the letter of 23rd January, 1952 from Barnabas Plein & Company (Pty.) Ltd. (Appendix D(a)). This letter was addressed to Alpha and only about one third of the property dealt with therein was we understand owned by Uitziqt in 1959. At the least Mr. Gardiner's report does not relate entirely to the property under consideration in 1959. The Board seems to have acted upon reports by Simson Grant & Company, Chartered Accountants, which were largely hearsay. These reports and the relative accounts are reproduced in Appendix E.

48. Reference to these accountants' reports and the relevant accounts will show that they are inaccurate in their treatment of provisions; this seems quite conclusive despite Mr. Hoffman's denial of it during his examination by us; indeed the Reports are tendentious in that they refer to valuations which are not and do not appear to resemble formal valuation. They appear oblivious to the poor state of the two companies as shown by these balance sheets, above mentioned. They do not discount either risk or deferment. This did not prevent Mr. Fairbank in evidence from stressing that they had an accountants' valuation. In this connection it is observed that Mr. Grant who was then the Secretary of Majestic was at the same time a partner in the firm of accountants making the so-called valuation. The other reports were no more conclusive but we are nevertheless somewhat impressed that a number of seemingly independent people should have combined to put through the South African transactions on behalf of F.M.S. unless there was at that time some belief among them that the underlying properties were worth the enormous potential value stated, and also unless they were blind to the obvious need for considerable finance for development. On the other hand we cannot believe that Mr. Lowenthal, who struck us as an intelligent man, did not appreciate the effect of what he was doing. We have not been able to obtain from Mr. Lowenthal relevant accounts and information affecting the South African Companies although we have pressed him for them and allowed him a very lengthy period of time in which to provide the vital information required. His unwillingness to

co-operate on this matter despite promises and assurances can only lead us now to the belief that this information must be to his detriment.

49. The position of F.M.S. depends firstly on the solvency of Richardsons and, secondly, upon the value of the South African properties. In our view there is clear evidence that Richardsons could not meet their liabilities even on current account. On 31st May, 1962 a Receiving Order was made against Mr. Lowenthal and Mr. Fairbank and on 18th October, 1962 they were adjudged bankrupt. Quite apart from the general position of the bank, it is to be noted that Richardsons have £239,326 invested in F.M.S. and £250,000 in Vaal Park which, as has been shown above, had both been written up by the switch of shares without being realised in any real sense. It is relevant here to point out that there may also still be a liability to pay Alpha money in substitution for the F.M.S. stock which Alpha was originally intended to receive but did not get.

50. Substantial sums are still required for the provision of services before development of the South African properties can proceed, but no provision has been made for the money required for this purpose. No mention of this matter is made in the 1959 chairman's review and the existing resources of F.M.S., Uitzigt and Walker Bay, even if available, appear to be totally inadequate.

51. Mr. Halsall, to whom we have already referred in Section V has repeatedly expressed misgivings about the value and future of F.M.S. as well as the conduct of its affairs. He has been in correspondence with Mr. Lowenthal and Mr. Fairbank and he sent them a report following a visit by him to South Africa in February 1962. Mr. Halsall has also written to the Board of Trade. We have no means of verifying the accuracy of many of his contentions, but certainly the views in Mr. Halsall's report are not accepted by Mr. Lowenthal and Mr. Fairbank. Indeed in his public examination in bankruptcy on 22nd February, 1963, Mr. Lowenthal stated that he thought that Mr. Halsall for his own purpose had been endeavouring to aggravate Mr. Lowenthal's financial difficulties by taking such actions as would render Mr. Lowenthal's interests virtually unsaleable.

52. We should also mention that arising from the sale of the Rubber Estates in Malaya formerly owned by F.M.S. is a claim which is still outstanding for £19,842 against the purchasers of one estate. It does not seem that this claim was being pursued with any vigour up to the time when the Company went into liquidation.

PART XI

Banking Arrangements

53. Accounts were opened with Richardsons as soon as control of the company was obtained by Mr. Fairbank and the company's accounts with other banks were reduced to nominal figures in the course of the next few months by transference of funds to Richardsons.

54. On 14th July, 1960 it was resolved at a Board Meeting that the balance standing to the company's credit with Richardsons should be transferred to the Chartered Bank Ltd. but the account certainly continued with Richardsons and the Chartered Bank was not put in funds.

55. Mr. Fairbank was both a director of F.M.S. and a partner in Richardsons. Paragraph 33 refers to Mr. Brackenridge's views and Counsel's Opinion on the point which was to the effect that there had been no contravention of Section 190 of the Companies Act, 1948. We do not necessarily dissent from the general view expressed by Counsel but we consider that in the circumstances of this particular case the deposit of money with Richardsons by F.M.S. was at least an evasion of Section 190 of the Act and ought not to have occurred.

56. A statement summarising the transactions with Richardsons is given in Appendix F.

PART XII

Richardson & Company

57. Although at one time substantial funds belonging to F.M.S. were lodged with Richardsons by 31st December, 1959 these had been reduced to £17,770. The information which we have been able to obtain in regard to Richardsons has led us to the conclusion that Richardsons must be insolvent and unable to meet even quite small demands from its existing resources. Mr. Lowenthal and Mr. Fairbank were adjudged bankrupt on 18th October, 1962. The bulk of Richardsons' funds are now tied up in speculative and, in our view, unmarketable investments in companies in all of which one, other or both partners have personal interest, and in our opinion Richardsons would not be capable, given any amount of time, of meeting the claims upon it out of its present resources.

58. It is noteworthy that on 21st December, 1959 Mr. Fairbank in his capacity as a partner in Richardsons signed a certificate addressed to F.M.S. of which he was a director certifying the bank's solvency, although the directors of F.M.S. refused such a certificate when this was requested by the auditors.

PART XIII

Conclusions

59. It is clear that no real money was available for the purchase of the F.M.S. stock from the Syndicate headed by Mr. Charlton-Thomas and that the transaction was largely a manoeuvre to cloak the acquisition of the F.M.S. estates by the Syndicate. The transaction, however, gave rise to the receipt by Richardsons of £110,000 in real money, which was in effect the proportion due to the minority stockholders. The partners are reticent as to what has become of these funds which are clearly no longer available.

60. The transactions with Mr. Charlton-Thomas, and the receipt of £110,000, gave rise to a substantial balance with Richardsons which was conveniently eliminated by the acquisition by F.M.S. of the South African investments. This was a device to cover the lack of real money in support of the transactions with Mr. Charlton-Thomas. Although the acquisition of the subsidiaries was again stated to be a cash transaction, it is clear that insufficient funds were available in Richardsons.

61. We have gained the impression that the independent directors, although their actions were weak, at the time believed the subsidiary companies to be worth the consideration paid for their acquisition. When we speak of independent directors we mean directors other than Mr. Fairbank and Mr. Lowenthal.

It has already been noted that Mr. Gardiner visited the properties in South Africa and prepared a report thereon which was in fact misleading. He was the only director to make such a visit prior to the acquisition by F.M.S. of an interest in these properties through investment in Uitziq and Walker Bay and he resigned his directorship on the very day that action was taken by F.M.S. in the matter by entry into the agreement with Mr. Lowenthal of the 4th December, 1959. Such resignation may perhaps have been prompted by the acute conflict of interests which must have arisen (despite his denials in evidence before us) from his multiplicity of functions in acting professionally for F.M.S. Mr. Lowenthal and Richardsons whilst at the same time a director of F.M.S.

Mr. Hoffman must bear responsibility for professional examination of the accounting documents and reports necessary for a true assessment of the position before investment in either Uitzigt or Walker Bay, although we cannot believe that he would have signed the cheques on behalf of the Board for the purchase consideration if he had had any misgivings on the matter.

Mr. Shawcross was only a director for a short while and resigned at a very early stage in the period covered by our investigation so that he was not really concerned with the South African venture and it appears from his evidence before us that he knew little of the details behind the acquisition of the controlling interest in F.M.S. by Mr. Fairbank.

Lord Dunsany although he visited the properties in South Africa and made a report thereon appears to have had little appreciation of the true position.

62. Mr. Fairbank we think relied completely upon Mr. Lowenthal.

63. Mr. Lowenthal alone knew the complete position and has failed to help us to a full knowledge of the facts. It is possible that he believed that the estates in South Africa had considerable potential value if he could only find the finance to re-commence their development, but if so, it is odd that the £110,000 does not appear to have found its way there, so far as can be judged from such subsequent accounts as we have seen.

Appendix A

RICHARDSON & CO.

Summary of Balances

	<i>See Note</i>	<i>Balance Sheet 30.6.57 £</i>	<i>Balance Sheet 30.6.58 £</i>	<i>Statement of Balances 30.11.61 £</i>
A. Amounts Owing to Customers				
F. A. Charlton-Thomas	1	—	344,950	(£,092)
(Note: Account overdrawn at 30.11.61)	.. ..		
F.M.S. Rubber Planters Estates Ltd.	2	—	175,089	10,595
Majestic Insurance Co. Ltd.	3	—	35,997	243,368
Eagle Building Society	.. ..	—	—	89,886
Johore Para Rubber Co. Ltd.	4	—	—	68,859
Other Accounts	.. ..	* 24,026	94,532	71,050
			650,568	475,666
B. Amounts due by Customers				
Jelat Stock Banks	.. ..	* —	29,644	6,295
Other Accounts	.. ..	* —	151,814	74,758
*Details not available				
		24,026	469,110	394,613
Add: Sundry Creditors	.. ..	13,223	12,169	—
Provision for Doubtful Debts	.. ..	2,486	17,562	—
		39,735	498,841	394,613
Deduct: Payments in Advance	.. ..	2,825	380	—
Furniture etc.	.. ..	300	1,173	—
Cash in hand	.. ..	703	750	—
Deficiency of Assets (excluding Bank's Investments)	.. ..	35,907	496,538	394,613
C. Shares (1961 only)				
Majestic Insurance Co. Ltd.	.. ..	5		151,412
Johore Para Rubber Co. Ltd.	.. ..	6		54,800
F.M.S. Rubber Planters Estates Ltd.	.. ..	7		239,327
Vanl Park	.. ..	8		250,000
Bank of Morocco (1884) Ltd.	.. ..			5,250
G.D.S. Rentals Ltd.	.. ..			37,500
Vending Machine Renters Ltd.	.. ..			78
Investment Account (Unexplained Balance)	.. ..			230
				738,597

D. No debit or credit accounts for partners have been included.

Notes on Customers Accounts in Richardsons' Statement of Balances 30th November, 1961

1. F. A. Charlton-Thomas

Relevant information:

(a) Balance 30.6.58	.. ..		344,950
F.M.S. shares sold to V. F. Fairbank	.. ..	412,750	
Cheque to F.M.S. re Ledang Bahru Shares	.. ..	64,400	
		348,350	
(b) Withdrawals 30.6.58 to 30.11.61	.. ..		353,042
Cheque to F.M.S. re Malayan Estate proceeds	.. ..	352,875	

2. "F.M.S."

(a) Period 7.4.58 to 30.6.58

Proceeds of Sale of:

Shares in Leding Bahru Rubber Estates Ltd.	64,400		
Treasury Bills	84,488		
Savings Bonds	20,189		
Funds from Other Banks	4,910		
Rubber Sale Proceeds	303		
Interest	1,767		
Payments	968	175,089	

(b) Period 1.7.58 to 31.12.59

Proceeds of Sale of Jemima Estate	352,875		
Funds from Other Banks	13,938		
Interest	29,808		
Miscellaneous Receipts	72		

396,693

Payments:

W. Lowenthal (for purchase of South African Interests)	529,079		
(This sum was apparently credited to Mr. Lowenthal's account and the money did not leave the bank)			
Dividends	10,526		
Taxation	8,500		
Other Disbursements	5,907	554,012	(157,319)

Per F.M.S. accounts at 31.12.59 17,770

(c) Period 1.1.60 to 30.11.61

Books not fully written up. From information available position may be:

Dividends	11,255		
Miscellaneous Receipts less other Disbursements	4,080		
		(7,175)	
		10,595	

3. "Majestic"

(a) Period 6.5.58 to 30.6.58

Call on Shares	36,000		
Payments	3		
		35,997	

(b) Period 1.7.58 to 30.11.61

Share allotments	148,107		
Profit from Investment transactions	612		
Insurance Business Funds from Other Banks ..	800		
Deposit Interest and Insurance Business Receipts less payments	57,852	207,371	

(c) Period 1.12.61 to 13.12.61

Deposit Interest and Insurance Business Receipts less Payments		4,351	
Per Majestic figures at 13.12.61		247,719	

4. "Johore"

(a) Period 26.5.59 to 30.6.60

Proceeds of Sale of:

Malayan Estate	60,000	
Savings Bonds	797	
Funds from Other Banks	3,089	
Deposit Interest	2,623	
	<hr/>	
	66,509	
Payments	561	
Per Johore accounts 30.6.60		65,948

(b) Period 1.7.60 to 30.11.61

Books not fully written up		
Difference (probably mainly Deposit interest)		2,911
		<hr/>
		£68,859

Notes on Shares in Richardsons' Statement of Balances 30th November, 1961

5. Majestic Insurance Co. Ltd.	£60,538	
Investment a/c	90,874	
	<hr/>	£151,412

The investment by Mr. Lowenthal and/or Richardsons includes an inflationary element of £184,107 achieved by increasing the share capital and the cash entries in Richardsons' books by the same amount. The latest figures (1960 Accounts) show cash at Richardsons of £247,277 and shareholders' equity at book value of £166,751 i.e. a deficiency without Richardsons of £80,000. It is not known how many shares the above investment represents but it is clear that the value is entirely dependent on Richardsons' debt being good.

6. Johore Para Rubber Co. Ltd.	£54,800	
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The cash at Richardsons is £68,859 and the investment is again therefore dependent on Richardsons' debt being good.

7. F.M.S. Rubber Planters Estates Ltd.	£239,327	
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The assets of this Company now consist mainly of shares in Utzig (80%) and Walker Bay (100%) with a small balance of cash at Richardsons. Both the shareholdings have directly or indirectly been in Mr. Lowenthal's or Richardsons' ownership throughout, the Utzig shares having been written up in the course of sale to F.M.S. by £348,700. It is not known whether the shares in Walker Bay were similarly written up.

8. Vaal Park	£250,000	
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The accounts of this company at 30th June, 1960, which have been forwarded by Mr. Lowenthal since the oral examination, show net tangible assets of SA £26,118. Included in the assets is Immovable Property of SA £71,500 the value having been written down to this figure in these Accounts, and this must therefore be presumed to be its maximum value. The only other asset of any size is SA £136,094 of investment presumably in F.M.S.

The above observations on F.M.S. and Vaal Park should be read in conjunction with our report on F.M.S.

Appendix B. (a)

F.M.S. Rubber Planters Estates, Limited

Directors:

CHRISTOPHER SHAWCROSS
(Chairman).

F. A. CHARLTON-THOMAS
F.S.A., F.COM., LL.B.

T. ROSEMAN,
F.C.A.

V. F. FAIRBANK.

Auditors:

WOOLGER, HENNELL, SCOTT-MITCHELL & CO.,
Chartered Accountants,
165/7, MARK LANE, LONDON, E.C.2.

Secretary and Registered Office:

S. A. MANN, A.C.S.,
IMPERIAL HOUSE, DORNDEN STREET, LONDON, E.C.2.

REPORT OF THE DIRECTORS

To be presented at the Forty-fifth Annual General Meeting to be held at Winchester House, Old Broad Street, London, E.C.2, on Thursday, 16th October, 1958, at 11 a.m.

	£	£
The Directors have pleasure in submitting the audited Accounts for the year ended 31st December, 1957, from which it will be seen that the net profit amounted to		53,935
From which must be deducted Income Tax and Profits Tax		11,000
		42,935
To which must be added the Balance brought forward from last year of	11,348	
and Taxation Provision no longer required in respect of earlier years	23,000	
		34,348
Leaving an available balance for distribution of		76,983
From which must be deducted proposed Dividend of 7½ per cent, less tax		10,988
Leaving a surplus to be carried forward amounting to		66,417

In accordance with the Articles of Association, all the Directors retire and, being eligible, offer themselves for re-election.

Under the provisions of the Companies Act, 1948, Messrs. Woolger, Hennell, Scott-Mitchell & Co., the retiring Auditors, continue in office as Auditors to the Company, and a Resolution to fix their fee for the year 1958 will be proposed at the Annual General Meeting.

By Order of the Board,

S. A. MANN,
Secretary.

IMPERIAL HOUSE,
DORNDEN STREET,
LONDON, E.C.2.

22nd September, 1958.

CHAIRMAN'S REVIEW

For the Year ended 31st December, 1957

These are the first Accounts presented to the Stockholders by the Board, which was reconstituted in November, 1957, and further in April, 1958, consequent upon changes of the controlling interest in the Company.

The Accounts now before you show a reduced profit as compared with the previous year's trading, consequent upon the sale of the Niyor Estate at the end of 1956. The Net Profit before Taxation amounts to £53,635 as against £69,433 for the previous year. In view of the reduction of profit, your Directors recommend a Dividend of $7\frac{1}{4}$ per cent. This compares with the previous dividend of 15 per cent.

Stockholders were notified in February, 1958, that the Company had sold its remaining Estate—Jemima—for the sum of £360,000 on terms that the purchaser acquired the benefit of production of the Estate from the 1st January, 1958. This sum produced a surplus of £181,694 in excess of the book value as it was at the 31st December, 1957.

As a result of the disposals of the Niyor and the Jemima Estates, the Company is now in a liquid financial position. Your Directors' policy is to invest in real estate and trading concerns in South Africa and elsewhere. When this policy is effected, Stockholders will be informed.

CHRISTOPHER SHAWCROSS.

F.M.S. Rubber Planters Estates, Limited

*Directors :*V. F. FAIRBANK
(Chairman)

R. LUDKIN

T. HOFFMAN,
F.C.A.

LORD DUNSANY

Auditors :

WOOLGER, HENNELL, SCOTT-MITCHELL & CO.,

Chartered Accountants,
165/7, MOORGATE, LONDON, E.C.2.*Secretary and Registered Office :*S. A. MANN, A.C.A.,
IMPERIAL HOUSE, DOMINION STREET, LONDON, E.C.2.

REPORT OF THE DIRECTORS

to be presented at the adjourned Forty-sixth Annual General Meeting to be held at Winchester House, Old Broad Street, London, E.C.2, on Friday, 11th March, 1960 at 12 noon.

	£	£
The Directors have pleasure in submitting the audited Accounts for the year ended 31st December, 1958 from which it will be seen that the net profit amounted to	...	24,501
to which must be added the Balance brought forward from last year of	...	66,417
		<u>90,918</u>
from which must be deducted :—		
Income Tax and Profits Tax	16,790	
Provisions for compensation for loss of office to former Directors, Agents and Secretaries	<u>9,800</u>	
		26,590
leaving an available balance for distribution of		64,328
from which must be deducted proposed Dividend of 7½ per cent., less tax		<u>11,288</u>
leaving a surplus to be carried forward amounting to		<u>£53,040</u>

One of your directors Mr. V. F. Fairbank is a partner in Richardson & Co., bankers, with whom the Company maintains an account. The balances with Richardson & Co. at 31st December, 1958 totalled £587,469 and since that date sums in excess of £300,000 have been utilised for property acquisitions referred to in the Chairman's Review.

In accordance with the Articles of Association, Lord Dunsany and Mr. R. Ludkin retire and, being eligible, offer themselves for re-election.

Under the provisions of the Companies Act, 1948, Messrs. Woolger, Hennell, Scott-Mitchell & Co., the retiring auditors, continue in office as Auditors to the Company, and a Resolution authorising the Board to fix their fees for the year 1959 will be proposed at the Annual General Meeting.

By Order of the Board,

S. A. MANN,
Secretary.IMPERIAL HOUSE,
DOMINION STREET,
LONDON, E.C.2.

14 February, 1960.

CHAIRMAN'S REVIEW

For the Year ended 31st December, 1958

It will be seen from the accounts now submitted to Stockholders that, during the year under review, the income of the Company consisted entirely of interest and dividends received on investments. The position will be similar for the year ended on the 31st December, 1959.

As a result of this, your Directors have felt able to recommend a dividend of $7\frac{1}{2}$ per cent., less tax, for the year ended 31st December, 1958, being the same as was paid for the previous year.

I am pleased to inform you that your Directors have now completed the acquisition of 80 per cent. of the Share Capital of one Company and 100 per cent. of the Share Capital of another Company, both in South Africa, and between them owning considerable development land. In addition to selling individual development plots it is the intention of your Company to commence development on a substantial basis. The anticipated profits of both of these Companies should be considerable and such development will be spread over a period of 5 years.

In addition to these acquisitions, your Directors have acquired, subject to Bank of England consent, a revenue-producing property owning Company in Canada and the purchase price will be satisfied by the issue of Shares in your Company.

It was considered advisable to apply for a suspension of the dealings in your Company's Shares until such time as the re-organisation of the Company's activities had been completed. - It is the intention of your Directors to apply in the near future to the Council of The Stock Exchange for permission to deal in the Shares of your Company. It will be necessary to increase the Authorised Capital of the Company to finalise the acquisition of the Canadian property and it is proposed to call an Extraordinary General Meeting to put this into effect. At that Meeting Resolutions will also be submitted changing the name of the Company and amending the Memorandum and Articles of Association to comply with those required by an Investment Company.

V. F. FAIRBANK.

F.M.S. Rubber Planters Estates, Limited

NOTES ON ACCOUNTS

for the year ended 31st December, 1958

1. The Capital Reserve is made up as follows :—	£	£
Profit on sale of Jemima Estate		159,836
Less : Loss on sale of Niyor Estate	4,485	
Additional Expenses Niyor Estate	109	
	<u>4,594</u>	
Losses, less profits, on Realisation of Investments	32,317	
		<u>36,911</u>
		<u>£122,925</u>

Included in the losses on Realisation of Investments is the sum of £27,713 on the realisation of 432,000 Ledang Bahru Ltd. 2s. Stock Units.

2. The profit on sale of Jemima Estate arises as follows :—	£
Estates, at book value 31st December, 1957	94,881
Buildings, Machinery, etc., at book value 31st December, 1957 ...	73,485
Stores and Produce on Hand 31st December, 1957 taken over by the Purchaser of the Estate	14,617
	<u>182,983</u>
Less : Net sale proceeds	342,819
Profit on sale transferred to Capital Reserve	<u>£159,836</u>

- The Jemima Estate was sold for 3,000,000 Malayan dollars and the sale proceeds included certain amounts, not yet ascertainable, which are of a Revenue nature. Consequently a transfer from Capital Reserve to Revenue Reserve will be required when the final figures are known.
- The taxation assessments on the profits of the Company up to 31st December, 1957 have not yet been agreed. It is anticipated that a proportion of the taxation reserves created up to that date can be written back when settlement is reached.
- The provision for compensation for loss of office amounting to £9,500 and included in the Appropriation Account, is in respect of payments to be made to Mr. J. S. Laird, Mr. R. Heyward, and the estate of Mr. H. S. Campbell dec'd., former directors, and to Messrs. Lyall, Anderson & Co. and Messrs. Guthrie & Co. Ltd. former Secretaries and Agents.
- Ex-gratia payments were made to former directors Mr. L. Lavy and Mr. M. Davis totalling £1,250. These payments were not made by the Company.

Appendix B. (c)

F.M.S. Rubber Planters Estates, Limited

Directors :

V. F. FAIRBANK
(Chairman)

W. LOWENTHAL

Auditors :

WOOLGER, HENNELL, SCOTT-MITCHELL & CO.,

Chartered Accountants,

145/7, Moorgate, LONDON, E.C.2.

Secretary and Registered Office :

A. T. BARNES,

FINSBURY COURT, FINSBURY PAVEMENT, LONDON, E.C.2.

NOTICE IS HEREBY GIVEN that the adjourned FORTY-SEVENTH ANNUAL GENERAL MEETING of F.M.S. RUBBER PLANTERS ESTATES, LIMITED will be held at Winchester House, Old Broad Street, London, E.C.2, on Friday, 16th February, 1962, at 3.30 p.m., for the following purposes:—

1. To receive and, if approved, to adopt the Accounts and Report of the Directors.
2. To declare a Dividend.
3. To elect the Directors.
4. To propose a resolution authorising the Board to fix the remuneration of the Auditors.
5. To transact any other ordinary business of the Company.

By Order of the Board,

A. T. BARNES,

Secretary.

FINSBURY COURT,

FINSBURY PAVEMENT,

LONDON, E.C.2.

12th January, 1962.

Every member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not also be a member of the Company.

REPORT OF THE DIRECTORS

To be presented at the Adjourned Forty-seventh Annual General Meeting to be held at Winchester House, Old Broad Street, London, E.C.2, on Friday, 16th February, 1962 at 3.30 p.m.

The Directors have pleasure in submitting the audited Accounts for the year ended 31st December, 1960 from which it will be seen that the net profit amounted to	£ 18,054
To which must be added the Balance brought forward from last year of	83,213
and Transfer from Capital Reserve	27,919
From which must be deducted :—	96,177
Income Tax and Profits Tax	8,000
Leaving an available balance for distribution of	88,177
From which must be deducted the proposed Dividend of 7½ per cent., less tax	11,336
Leaving a surplus to be carried forward amounting to	£76,841

In accordance with the Articles of Association, Mr. V. F. Fairbank retires and, being eligible, offers himself for re-election.

In accordance with the Articles of Association Mr. W. Lowenthal who was co-opted to the Board with effect from the 3rd October, 1960, retires and, being eligible, offers himself for re-election.

Under the provisions of the Companies Act, 1948, Messrs. Woolger, Kennell, Scott-Mitchell & Co., the retiring Auditors, continue in office as Auditors to the Company, and a Resolution authorising the Board to fix their fee for the year 1960 will be proposed at the Annual General Meeting.

By Order of the Board,

A. T. BARNES,
Secretary.

FINCHBURY COURT,
FINCHBURY PARKWAY,
LONDON, E.C.2.

15th January, 1962.

NOTES ON ACCOUNTS

for the year ended 31st December, 1959

1. The Directors are of the opinion that the delay involved in preparing Group Accounts would be out of proportion to their value to the Members.
2. On 4th December, 1959, the Company entered into an Agreement with Mr. Williams Lowenthal, who is now one of the Directors of the Company, under which the Company agreed to purchase from him all the issued Shares in a Canadian Company, Milltown Enterprises Ltd., for £550,000 to be satisfied by the issue of £244,444 Stock in the Company; the completion date specified was 31st March, 1960. Mr. Lowenthal warranted that Milltown Enterprises Ltd., would on or before completion (or within six months of the date of the Agreement) grant certain leases of properties belonging to it; the said leases have not been granted. The Agreement is expressed to be subject to the consent and approval of the Bank of England and all other persons or Authorities as may be required. The Agreement has not yet been completed.
3. Included in the item "Sundry Debtors" is the sum of £19,842 16s. 9d. claimed by the Company as a consequence of the sale of the "Jemima" Rubber Estate in 1957. The debt is now disputed by the debtor.

Appendix B(d)(i)

F.M.S. RUBBER PLANTERS ESTATES LTD.

1957 Accounts

										£	s.	d.
Trade Investments												
58,041 Shares in Guthrie Latex Ltd.	..	..	..	..	..	..	..	..	..	9,494	5	2
5,950 \$1 Shares in The Whittington Hill Bungalow Association	..	..	..	..	..	..	..	..	..
123 £1 Shares in Malgro House Ltd.	..	..	..	..	..	..	..	..	..	123	0	0
										<u>£9,617</u>	<u>5</u>	<u>2</u>
Quoted Investments												
£25,000 2½% Savings Bonds 1964/67	..	..	..	..	..	..	..	..	..	25,000	0	0
Less: Depreciation Provision	..	..	..	..	..	..	..	..	..	84	7	2
										<u>24,915</u>	<u>12</u>	<u>10</u>
404,500 Ledang 2s. Units	..	..	..	..	..	..	..	..	..	85,193	11	0
										<u>£110,109</u>	<u>3</u>	<u>10</u>

Appendix B(d)(ii)

F.M.S. RUBBER PLANTERS ESTATES LTD.

1958 Accounts

										£		
Cash at Bank												
Richardson & Co.	..	..	..	..	..	..	..	..	..	537,469		
Chartered Bank Ltd.	..	..	..	..	..	..	..	..	..	7		
Midland Bank Ltd.	..	..	..	..	..	..	..	..	..	44		
										<u>£537,520</u>		
Losses (less Profits) on Realisation of Investments (See Note 1)												
Losses												
On 432,000 Ledang Shares	..	..	..	..	..	..	..	..	..	27,713		
On £25,000 2½% Savings Bonds 1964/67	..	..	..	..	..	..	..	..	..	4,811		
										<u>32,524</u>		
Profits												
										£		
On Trade Investment	..	..	..	..	..	..	..	..	..	123		
Balance at credit of Investment Depreciation Account 31.12.57	..	..	..	..	..	..	..	..	..	84		
										<u>207</u>		
										<u>£32,317</u>		

Appendix B(d)(iii)

F.M.S. RUBBER PLANTERS ESTATES LTD.

1959 Accounts	£	s.	d.	£	s.	d.
Debtors:						
Sales made by Guthrie Latex Ltd. in Malaya and claimed as due to F.M.S. as sales prior to 31.12.57 but paid to the purchasers of the Jemima Estate				19,842	16	9
Malayan Syndicate Balance of cost of purchase from F.M.S. of its holding of 432,000 Ledang Ordinary Stock units	1,241	2	0			
Less: Net Dividends on above stock received and retained by F.M.S. after sale	1,157	3	9			
					83	18 3
Miscellaneous Refund of Airfare and air freight					282	17 0
						<u>£20,209 12 0</u>
Trade Investment						
123 £1 fully paid shares in Malgro House Ltd.					£123	0 0

Appendix B. (e)

F.M.S. Rubber Planters Estates Limited

Directors :

V. F. FAIRBANK (Chairman)
LORD DUNNANY
T. HOFFMAN, F.C.A.
R. LUMKIN
F. A. CHARLTON-THOMAS, B.A., B.Com., LL.B.

IMPERIAL HOUSE,

DOMINION STREET,

LONDON, E.C.2.

Letter from the Chairman to the Stockholders.

DEAR SIR OR MADAM,

Your Directors propose to recommend a dividend of $7\frac{1}{2}$ per cent. for the year ended 31st December, 1958, being the same as was paid for the previous year.

The Board has pursued the policy outlined in the Chairman's Review accompanying the accounts for the year ended 31st December, 1957 "to invest in real estate and trading concerns in South Africa and elsewhere", and to obtain as wide a spread of investment as possible in the Commonwealth.

As a result, your Directors are pleased to inform you that they have recently exchanged Contracts to acquire 80 per cent. of the Issued Share Capital of one Company and 100 per cent. of the Issued Share Capital of another Company in South Africa owning valuable freehold development land. Arrangements for building houses and industrial and commercial premises are in hand and it is contemplated that development will commence in the New Year.

Your Directors have also exchanged Contracts, subject to Exchange Control, for the acquisition of the whole Issued Capital of a Company owning valuable freehold industrial premises and building land in Canada.

Your Directors propose to ask the Stockholders to approve the above transactions and further to approve the adoption of a new form of Memorandum and Articles of Association of the Company, suitable for a Property Investment Company. It is further proposed to change the name of the Company and to increase the Authorised Share Capital.

Yours faithfully,

V. F. FAIRBANK,

Chairman.

F.M.S. RUBBER PLANTERS ESTATES, LIMITED

CHAIRMAN'S REVIEW

for the year ended 31st December, 1959.

As indicated in my Review which accompanied the 1958 accounts the income of the Company for the year ended 31st December, 1959 consisted entirely of interest.

I am now able to give Shareholders further information regarding the acquisitions made last December. Your Company has acquired 80 per cent. of the Share Capital in UITZIGT PROPERTIES (PTY) LTD., and 100 per cent. of the issued Share Capital in WALKER BAY INVESTMENT CO. (PTY) LTD., both Companies having their Registered Offices in the Union of South Africa.

UITZIGT PROPERTIES (PTY) LTD. own a Township VAALPARK of approximately 1,233 acres in extent, consisting of 2,105 building plots, of which 510 plots were sold prior to our acquiring control. The remainder of the plots have a realisable value of £1,265,000 at the present valuation and this figure will be considerably enhanced by the intended development.

This Township is situated in what is known as THE TRIANGLE, being the centre of heavy industry in the Union of South Africa, comprising the towns of VEREENIGING, VANDERBYL PARK and SASOLBURG, where the centre of the Steel industry for South Africa has been established. It has been recently announced that ISCOR, the South African Steel Undertaking, is spending £240,000,000 on its expansion, of which a large proportion is expected to be spent in this area. The largest South African coal mines are within The Triangle and during the past ten years, four power stations have been erected to supply power for the Orange Free State Gold Fields, as well as the local requirements.

At the apex of The Triangle, SASOL, the oil-from-coal industry, has been developed over the past six years. To date, £40,000,000 has been spent on this project. During the past month a further expansion programme has been announced and £30,000,000 assigned for this purpose.

Since the start of SASOL in 1953/54, in a completely unpopulated area, 8,000 European people have been drawn to form the town of SASOLBURG and your Township VAALPARK is situated within two miles of Sasolburg on the Vaal River. Your subsidiary company has been informed that the population of SASOL will double within the next five years and that it has now filled all its available residential land and expansion is precluded by reason of its locality, to the north the Vaal River, to the south and west the coal reserves for the SASOL undertaking, and to the east, Vaalpark. Facing Vaalpark to the north is Vanderbyl Park immediately across the river.

VANDERBYL PARK is the most important concentration of the South African Iron and Steel Industry, which has more than doubled since the War.

Already large secondary industries are being established in Sasolburg, Vanderbyl and Vereeniging, the most recent additions being Fisons Ltd. and Rubery Owen Ltd.

Apart from the existing installations and the projected expansion in the immediate future, finance for which has already been announced, it is the apparent policy of the present Government to create in this triangle the largest industrial area in South Africa.

An allocation of water has been made by the Government to Vaalpark and your Company is negotiating with the Minister of Trade and Development for the acceleration of the supply of electricity or for the incorporation of your Township into Sasolburg. The Minister has intimated to your Company that these arrangements will be finalised almost immediately. Building plans will be implemented upon completion of the above arrangements. A large demand for housing exists in the area and your Company's Estate Agents report that the houses will be sold as erected.

Walker Bay Investment Company (Pty) Ltd. owns a Township FISHERHAVEN, consisting of 737 plots of which 214 were sold prior to your Company's acquisition. The remainder of the plots have a realisable value of £285,000. This Township is situated in the Cape Province of South Africa, seven miles from Hermanus, the premier summer resort of South Africa, and is situated in picturesque surroundings on a large lagoon off the Indian Ocean, adjacent to one of the best beaches in the Province.

Roads and water reticulation to serve the first portion of this Township is now in the process of installation and this work is scheduled to be completed in February 1961.

Your Company has entered into an agreement to purchase the total Share Capital in Milltown Enterprises Ltd., registered in Canada, which owns approximately 500,000 sq. ft. of buildings, and some 16 acres of development land in Milltown, New Brunswick, on the borders of the United States of America. This purchase is conditional on the seller procuring long leases, and as soon as such leases have been entered into, your Company will complete the purchase.

Your Company will apply to the Stock Exchange for a new quotation to be granted to enable Shareholders to deal in the shares of the Company, upon the completion of the Canadian contract and the capital reconstruction of the Company.

As a result of the above arrangements, your Directors believe that your Company is about to embark upon a period of increasing prosperity. They are also confident that the industrial prosperity of South Africa generally, and of this area particularly, will continue to increase.

The recent political disturbances undoubtedly slowed up the rise in the demand for property. Nevertheless there is now every indication that the situation in the Autumn of 1960 has not really deteriorated from the situation in the Autumn of 1959. It is the view of your Directors that the significance of the unhappy events of the Spring of 1960 was much exaggerated in the world Press and that the position in South Africa is far more stable than in Central Africa and is a safer area for investment than the Far East, from whence the funds of your Company have been transferred.

It is the Directors' intention to send out notices of the Extraordinary General Meeting referred to in my last Report in the course of the next few weeks for the purposes indicated at that time, i.e., to increase the Authorised Capital, to change the name of the Company and to amend the Memorandum and Articles of Association.

Your Directors propose to recommend a dividend of 7½ per cent. for the year ended 31st December, 1959, being the same as was paid for the previous year.

V. F. FAIRBANK,

Chairman.

Appendix C. (a)

28.3. '58

F. A. CHARLTON-THOMAS,
L.D., B.A., B.Com.
5A GOLF VIEW ROAD,
KUALA LUMPUR,
MALAYA.

C/- The Midland Bank
Overseas Branch,
Old Broad Street,
LONDON EC2

TO:

Messrs Richardson & Co.,
Merchant Bankers,
56 South Molton Street,
LONDON W1.

Dear Sirs,

Re F.M.S.Rubber Planters Estates Ltd.

I hereby declare that on 19.2.58 in Singapore, the following resolution was passed by Khoo Teck Punt Esq., (Oversea Chinese Banking Corporation, Singapore), Wong Ann Pini Esq., (Oversea Chinese Banking Corporation, Malacca Branch), and Bok Yew Esq., Company Director. These gentlemen represent the Majority Shareholders in the above company, as well as the purchaser of Jenina Estate, the last remaining estate of the above company. They (with myself) constitute the Local Committee, set up under the Memo and Articles of the above company, to handle the company's affairs in Malaya.

RESOLVED. That Mr. Charlton-Thomas be authorised to negotiate on behalf of the majority shareholders in connection with the disposal of the shell of F.M.S.Rubber Planters Estates Ltd., including the settlement of outstanding items as well as the valuation of Ledang Bahru shares.

My relationship with the parties in Malaya is such that I accept personal responsibility for/negotiations on their behalf. the handling of

This will confirm the agreement reached by us today, as follows:

A. Subject to the conditions set out below, the majority shareholders (hereinafter called the vendors) agree to hold available at your order 750 F.M.S. £1 shares free of cost to you, but free of brokerage and stamp duty to the vendors. Subject to the final adjustment mentioned below, the vendors agree to sell and yourselves (hereinafter called the purchasers), to purchase 183,000 F.M.S. £1 shares for the sum of \$46,750.